

1 **APPROPRIATIONS AND BUDGETING AMENDMENTS**

2 2014 GENERAL SESSION

3 STATE OF UTAH

4 **Chief Sponsor: Jacob L. Anderegg**

5 Senate Sponsor: Deidre M. Henderson

7 **LONG TITLE**

8 **General Description:**

9 This bill modifies the Budgetary Procedures Act by amending provisions relating to
10 legislative review and approval requirements for internal service fund operations.

11 **Highlighted Provisions:**

12 This bill:

- 13 ▶ provides that if an internal service fund agency operates more than one internal
14 service fund within the internal service fund agency, the internal service fund
15 agency shall comply with the legislative review and approval requirements for each
16 internal service fund;
- 17 ▶ requires legislative review for the number of full-time equivalent contract
18 employees of each internal service fund as part of the annual appropriation process;
- 19 ▶ authorizes an internal service fund agency that begins a new service or introduces a
20 new product between annual general sessions of the Legislature to acquire contract
21 employees, if necessary, for that service or product;
- 22 ▶ requires an internal service fund agency to report any change in the number of
23 contract employees to the appropriate legislative appropriations subcommittee for
24 review;
- 25 ▶ provides that if an internal service fund agency operates an internal service fund and
26 does not get the required legislative approvals, the internal service fund agency shall
27 rebate all rates, fees, and amounts collected to those who use the services for the
28 rates, fees, and amounts collected that were not approved; and
- 29 ▶ makes conforming and technical changes.

30 **Money Appropriated in this Bill:**

31 None

32 **Other Special Clauses:**

33 This bill takes effect on July 1, 2014.

34 **Utah Code Sections Affected:**

35 AMENDS:

36 **63J-1-410**, as renumbered and amended by Laws of Utah 2009, Chapter 183



38 *Be it enacted by the Legislature of the state of Utah:*

39 Section 1. Section **63J-1-410** is amended to read:

40 **63J-1-410. Internal service funds -- Governance and review.**

41 (1) For purposes of this section:

42 (a) "Agency" means a department, division, office, bureau, or other unit of state
43 government, and includes any subdivision of an agency.

44 (b) "Do not replace vehicles" means a vehicle accounted for in the Division of Fleet
45 Operations for which charges to an agency for its use do not include amounts to cover
46 depreciation or to accumulate assets to replace the vehicle at the end of its useful life.

47 (c) "Internal service fund agency" means an agency that provides goods or services to
48 other agencies of state government or to other governmental units on a capital maintenance and
49 cost reimbursement basis, and which recovers costs through interagency billings.

50 (d) "Revolving loan fund" means each of the revolving loan funds defined in Section
51 **63A-3-205**.

52 (2) An internal service fund agency is not subject to this section with respect to its
53 administration of a revolving loan fund.

54 (3) (a) An internal service fund agency may not bill another agency for services that it
55 provides for each internal service fund operated by the agency, unless the Legislature has:

56 ~~[(a)]~~ (i) reviewed and approved ~~[the]~~ each internal service ~~[fund-agency's]~~ fund's
57 budget request;

58 ~~[(b)]~~ (ii) reviewed and approved ~~[the]~~ each internal service ~~[fund-agency's]~~ fund's rates,
 59 fees, and other amounts that it charges those who use its services and included those rates, fees,
 60 and amounts in an appropriation act;

61 ~~[(c)]~~ (iii) approved the number of full-time, permanent positions of ~~[the]~~ each internal
 62 service fund ~~[agency]~~ as part of the annual appropriation process; ~~[and]~~

63 (iv) review the number of full-time equivalent contract employees of each internal
 64 service fund as part of the annual appropriation process; and

65 ~~[(d)]~~ (v) appropriated to the internal service fund agency ~~[the]~~ each internal service
 66 fund's estimated revenue based upon the rates and fee structure that are the basis for the
 67 estimate.

68 (b) If an internal service fund agency operates more than one internal service fund
 69 within the internal service fund agency, the internal service fund agency shall comply with the
 70 review and approval requirements under Subsection (3)(a) for each internal service fund.

71 (c) If an internal service fund agency operates an internal service fund and does not get
 72 the approvals required under Subsection (3)(a) or (4)(b), the internal service fund agency shall
 73 rebate all rates, fees, and amounts collected to those who use the services for the rates, fees,
 74 and amounts collected that were not approved under Subsection (3)(a) or (4)(b).

75 (4) (a) Except as provided in Subsection (4)(b), an internal service fund agency may
 76 not charge rates, fees, and other amounts that exceed the rates, fees, and amounts established
 77 by the Legislature in the appropriations act.

78 (b) (i) An internal service fund agency that begins a new service or introduces a new
 79 product between annual general sessions of the Legislature may, for that service or product:

80 (A) establish and charge an interim rate or amount [for that service or product];

81 (B) acquire contract employees, if necessary; or

82 (C) do a combination of Subsections (4)(b)(i)(A) and (B).

83 (ii) The internal service fund agency shall ~~[submit that]:~~

84 (A) submit the interim rate or amount under Subsection (4)(b)(i) to the Legislature for
 85 approval at the next annual general session[-]; and

86 (B) report any change in the number of contract employees under Subsection (4)(b)(i)
87 to the appropriate legislative appropriations subcommittee for review.

88 (5) The internal service fund agency budget request shall separately identify the capital
89 needs and the related capital budget.

90 (6) In the fiscal year that the accounting change referred to in Subsection 51-5-6(2) is
91 implemented by the Division of Finance, the Division of Finance shall transfer equity created
92 by that accounting change to any internal service fund agency up to the amount needed to
93 eliminate any long-term debt and deficit working capital in the fund.

94 (7) No new internal service fund agency may be established unless reviewed and
95 approved by the Legislature.

96 (8) (a) Except as provided in Subsection (8)(f), an internal service fund agency may not
97 acquire capital assets unless legislative approval for acquisition of the assets has been included
98 in an appropriations act for the internal service fund agency.

99 (b) An internal service fund agency may not acquire capital assets after the transfer
100 mandated by Subsection (6) has occurred unless the internal service fund agency has adequate
101 working capital.

102 (c) The internal service fund agency shall provide working capital from the following
103 sources in the following order:

104 (i) first, from operating revenues to the extent allowed by state rules and federal
105 regulations;

106 (ii) second, from long-term debt, subject to the restrictions of this section; and

107 (iii) last, from an appropriation.

108 (d) (i) To eliminate negative working capital, an internal service fund agency may incur
109 long-term debt from the General Fund or Special Revenue Funds to acquire capital assets.

110 (ii) The internal service fund agency shall repay all long-term debt borrowed from the
111 General Fund or Special Revenue Funds by making regular payments over the useful life of the
112 asset according to the asset's depreciation schedule.

113 (e) (i) The Division of Finance may not allow an internal service fund agency's

114 borrowing to exceed 90% of the net book value of the agency's capital assets as of the end of
115 the fiscal year.

116 (ii) If an internal service fund agency wishes to purchase authorized assets or enter into
117 equipment leases that would increase its borrowing beyond 90% of the net book value of the
118 agency's capital assets, the agency may purchase those assets only with money appropriated
119 from another fund, such as the General Fund or a special revenue fund.

120 (f) (i) Except as provided in Subsection (8)(f)(ii), capital assets acquired through
121 agency appropriation may not be transferred to any internal service fund agency without
122 legislative approval.

123 (ii) Vehicles acquired by agencies from appropriated funds or money appropriated to
124 agencies to be used for vehicle purchases may be transferred to the Division of Fleet
125 Operations and, when transferred, become part of the Fleet Operations Internal Service Fund.

126 (iii) Vehicles acquired with funding from sources other than state appropriations or
127 acquired through the federal surplus property donation program may be transferred to the
128 Division of Fleet Operations and, when transferred, become part of the Fleet Operations
129 Internal Service Fund.

130 (iv) Unless otherwise approved by the Legislature, vehicles acquired under Subsection
131 (8)(f)(iii) shall be accounted for as "do not replace" vehicles.

132 (9) The Division of Finance shall adopt policies and procedures related to the
133 accounting for assets, liabilities, equity, revenues, expenditures, and transfers of internal
134 service funds agencies.

135 Section 2. **Effective date.**

136 This bill takes effect on July 1, 2014.